

**Shreveport Home Mortgage Authority**  
**A Component Unit of the City of Shreveport**

Independent Auditor's Reports and Financial Statements

December 31, 2013



**Shreveport Home Mortgage Authority**  
**A Component Unit of the City of Shreveport**  
**December 31, 2013**

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## Independent Auditor's Report

Board of Trustees  
Shreveport Home Mortgage Authority  
Shreveport, Louisiana

### ***Report on the Financial Statements***

We have audited the accompanying basic financial statements of the Shreveport Home Mortgage Authority (the Authority), a component unit of the City of Shreveport, Louisiana, which are comprised of a statement of net position as of December 31, 2013, a statement of revenues, expenses and changes in net position and a statement of cash flows and the related notes to the financial statements for the year ended December 31, 2013, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shreveport Home Mortgage Authority as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in *Note 1* to the financial statements, in 2013 the Authority changed its method of accounting for bond issuance costs with the adoption of Governmental Accounting Standards Board Statement No. 65. Our opinion is not modified with respect to this matter.

### ***Other Matter***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**BKD, LLP**

June 30, 2014

# **Shreveport Home Mortgage Authority**

## **A Component Unit of the City of Shreveport**

### **Management's Discussion and Analysis**

#### **December 31, 2013**

#### ***Introduction***

This management's discussion and analysis of the financial performance of Shreveport Home Mortgage Authority (the Authority) provides an overview of the Authority's financial activities for the year ended December 31, 2013. It should be read in conjunction with the accompanying financial statements of the Authority.

#### ***Financial Highlights***

The Authority's assets exceeded its liabilities by \$2,961,732 (net position) as of December 31, 2013, and the Authority's total net position decreased \$82,090, or 2.7%. Current year operating revenues and the receipt of principal payments on outstanding mortgage-backed securities and the note receivable were used to pay the debt service on the outstanding bonds.

Nonoperating expenses decreased approximately \$80,000 when compared to 2012. The improvement is due to the debt defeasance loss of approximately \$100,000 incurred due to early extinguishment of the 1995 Bonds in 2012.

Additionally, the Authority implemented GASB 65 which resulted in a restatement that reduced January 1, 2013 net position by \$197,780. The 2012 amounts presented herein have been restated for the adoption of GASB 65.

#### ***Using This Annual Report***

The Authority's financial statements consist of three statements—a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes.

#### ***The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and its activities. The Authority's total net position—the difference between assets and liabilities—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as local economic factors also should be considered to assess the overall financial health of the Authority.

### ***The Statement of Cash Flows***

The statement of cash flows, reports, cash receipts, cash payments and net changes in cash and cash equivalents resulting from four (when applicable) defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

### ***The Authority's Net Position***

The Authority's net position is the difference between its assets and liabilities reported in the statement of net position, as shown in Table 1.

**Table 1: Assets, Liabilities and Net Position**

	2013	2012 (Restated)
<b>Assets</b>		
Current assets	\$ 808,063	\$ 203,913
Noncurrent assets	8,151,093	9,463,039
Total assets	8,959,156	9,666,952
<b>Liabilities</b>		
Current liabilities	483,668	446,452
Long-term liabilities	5,513,756	6,176,678
Total liabilities	5,997,424	6,623,130
<b>Net Position</b>		
Restricted	293,855	609,482
Unrestricted	2,667,877	2,434,340
Total net position	\$ 2,961,732	\$ 3,043,822

The total assets of the Authority decreased by \$707,796 in the current year. This corresponds to the current year decrease in total liabilities of \$625,706 and decrease in net position of \$82,090. As cash flows from mortgage-backed securities and outstanding notes are received, payments are made on the existing debt.

The Authority's net position was \$2,961,732 at December 31, 2013. Of this amount, \$2,667,877 was unrestricted and represents funds owned by the Authority and not associated with an individual bond issue. Restricted net position is reported separately to show those amounts restricted by, and the use thereof governed by, the trust indenture for each bond issue.

### ***Operating Results and Changes in the Authority's Net Position***

In 2013, the Authority's net position decreased by \$82,090, or 2.7%, compared to a \$174,270 decrease in net position in 2012 as shown in Table 2. This reduction in the decrease in net position is due to a decrease in operating revenues and expenses by \$77,159 and \$84,560, respectively, and a decrease in nonoperating losses of \$84,779. As assets and liabilities decrease, interest earned and interest paid decrease as well. In 2012, the Authority incurred a loss on debt defeasance of approximately \$100,000 that did not repeat in 2013.

**Table 2: Operating Results and Changes in Net Position**

	<b>2013</b>	<b>2012 (Restated)</b>
<b>Operating Revenues</b>		
Interest on mortgage-backed securities and note receivable	\$ 321,417	\$ 353,440
Other operating revenues	23,757	68,893
Total operating revenues	345,174	422,333
<b>Operating Expenses</b>		
Interest on bonds	291,706	356,667
Other operating expenses	35,329	54,928
Total operating expenses	327,035	411,595
<b>Operating Income</b>	18,139	10,738
<b>Nonoperating Loss</b>	(100,229)	(185,008)
<b>Decrease in Net Position</b>	(82,090)	(174,270)
<b>Net Position, Beginning of Year</b>	3,043,822	3,218,092
<b>Net Position, End of Year</b>	\$ 2,961,732	\$ 3,043,822

**Debt Administration**

During the year ended December 31, 2013, the Authority reduced its long-term debt by \$621,559. No new debt was issued in 2013.

The 2003 Issue is a limited obligation of the Authority, payable solely from the pledged investments and the interest thereon. The Series 2003A Issue was redeemed through a Series 2003B Issue in 2004, 2005 and 2007. The bonds in the 2004 Issue (Multi-Family – Refunding) are secured by the loan and by certain other resources and assets constituting the trust estate under the indenture. A credit enhancer also is contained in the trust indenture for the 2004 Multi-Family Issue that guarantees no loss will be incurred on the sale of the property should a default occur on the debt being serviced by the investor.

For additional information on debt see *Note 4*.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. James A. Burnett, 1400 Youree Drive, Shreveport, Louisiana 71101-4197.

**Shreveport Home Mortgage Authority**  
**A Component Unit of the City of Shreveport**

**Statement of Net Position**

**December 31, 2013**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 798,656
Accrued interest receivable	<u>9,407</u>
Total current assets	<u>808,063</u>

**Noncurrent Assets**

Investments	4,449,426
Note receivable	<u>3,701,667</u>
	<u>8,151,093</u>
Total assets	<u>8,959,156</u>

**Liabilities**

**Current Liabilities**

Current portion of bonds payable	465,427
Accrued expenses	<u>18,241</u>
Total current liabilities	483,668

**Bonds Payable**

	<u>5,513,756</u>
Total liabilities	<u>5,997,424</u>

**Net Position**

Restricted for debt service	293,855
Unrestricted	<u>2,667,877</u>
Total net position	<u>\$ 2,961,732</u>

**Shreveport Home Mortgage Authority**  
**A Component Unit of the City of Shreveport**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2013**

<b>Operating Revenues</b>	
Interest on mortgage-backed securities and note receivable	\$ 321,417
Other operating revenues	<u>23,757</u>
Total operating revenues	<u>345,174</u>
<b>Operating Expenses</b>	
Interest on bonds	291,706
Administrative expenses	<u>35,329</u>
Total operating expenses	<u>327,035</u>
<b>Operating Income</b>	<u>18,139</u>
<b>Nonoperating Expenses</b>	
Unrealized investment loss	<u>(100,229)</u>
Total nonoperating expenses	<u>(100,229)</u>
<b>Decrease in Net Position</b>	(82,090)
<b>Net Position, Beginning of Year as Restated</b>	<u>3,043,822</u>
<b>Net Position, End of Year</b>	<u><u>\$ 2,961,732</u></u>

# Shreveport Home Mortgage Authority

## A Component Unit of the City of Shreveport

### Statement of Cash Flows

#### Year Ended December 31, 2013

#### Operating Activities

Interest payments received on mortgage-backed securities and note receivable	\$ 340,867
Principal payments received on mortgage-backed securities and note receivable	80,000
Interest paid	(295,853)
Principal payments on bonds	(621,559)
Cash paid for administrative expenses	(35,329)
Other	<u>23,757</u>

Net cash used in operating activities	<u>(508,117)</u>
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#### Investing Activities

Proceeds from maturities and sales of investments	<u>1,114,204</u>
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Net cash provided by investing activities	<u>1,114,204</u>
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Net Increase in Cash and Cash Equivalents	606,087
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Cash and Cash Equivalents, Beginning of Year	<u>192,569</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 798,656</u></u>
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#### Reconciliation of Operating Income to Net Cash Used In Operating Activities

Operating income	\$ 18,139
Adjustments to reconcile operating income to net cash used in operating activities	
Principal payments received on mortgage loans and note receivable	80,000
Principal payments on bonds	(621,559)
Amortization of loan premium	17,513
Changes in operating assets and liabilities	
Accounts payable and accrued expenses	<u>(2,210)</u>

Net cash used in operating activities	<u><u>\$ (508,117)</u></u>
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#### Schedule of Noncash Investing and Financing Activities

Unrealized investment loss	100,229
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# **Shreveport Home Mortgage Authority**

## **A Component Unit of the City of Shreveport**

### **Notes to Financial Statements**

**December 31, 2013**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations and Reporting Entity***

The Shreveport Home Mortgage Authority (the Authority) is a tax-exempt public trust, created pursuant to the constitution and laws of the state of Louisiana, particularly Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950, as amended, and the trust indenture, dated October 24, 1978, with the City of Shreveport, Louisiana, as beneficiary. The Authority can transfer excess cash to the City of Shreveport. Pursuant to the trust indenture, the Authority is authorized to undertake various programs (funded primarily by the issuance of debt) to assist in the financing of housing for persons of low to moderate income in the City of Shreveport. Upon providing financing, the Authority invests funds in mortgage-backed securities, such as FNMA and GNMA mortgage pools consisting of loans originated in Shreveport. The Authority is a component unit of the City of Shreveport.

The Authority began operations on September 14, 1979, and has since been involved in numerous bond issues with various issues (the Issues) still outstanding as discussed in *Note 4*.

Bonds and other obligations issued under the provisions of the trust indenture are not a debt or liability of the state of Louisiana, the City of Shreveport or any political subdivision.

##### ***Basis of Presentation***

The Authority prepares its financial statements as a business-type activity and the accounts of the Authority are organized by bond issue series, each of which is considered a separate accounting entity. The operations of each issue are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. The following fund types are utilized by the Authority:

- **Mortgage Purchase Program Funds** – These funds are used to account for the proceeds from mortgage revenue bonds, the debt service requirements of the bonds and the related mortgage-backed securities for housing in the City of Shreveport.
- **Operating Funds** – These funds are the general operating funds of the Issues. All income and expenses not directly attributable to the Mortgage Purchase Program Funds are accounted for in these funds.

# **Shreveport Home Mortgage Authority**

## **A Component Unit of the City of Shreveport**

### **Notes to Financial Statements**

**December 31, 2013**

Interest earned on the investments and mortgage-backed securities in the Mortgage Purchase Program Funds is initially accounted for in those funds. The interest is then transferred to the respective bond fund's operating account when collected. To the extent monies are not available from the principal payments received on the mortgage-backed securities, the respective bond fund's operating account transfers monies to the Mortgage Purchase Program Funds in amounts sufficient to pay all interest and principal on the outstanding bonds.

#### ***Basis of Accounting***

The Authority uses the accrual basis of accounting whereby expenses are recognized when the liability is incurred and revenues are recognized when earned. The Authority's financial statements are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of the Authority are included on the statement of net position. The operating statement presents increases (revenues) and decreases (expenses) in net position.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are interest charges on mortgage-backed securities and the note receivable. The principal operating expenses of the Authority are interest cost on outstanding bonds and administrative expenses.

#### ***Notes Receivable***

Notes receivable are stated at the outstanding principal balance. Interest income is recognized in accordance with the terms of the note. Notes past due more than 180 days, if any, are considered delinquent.

#### ***Provisions for Loan Losses***

Provisions for losses on loans and accrued interest are charged to earnings when it is determined that the investment in applicable assets is greater than their estimated net realizable value. At December 31, 2013, estimated losses on loans were not material and, therefore, not recorded.

#### ***Cash and Cash Equivalents***

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2013, cash equivalents consisted primarily of money market accounts with brokers.

# Shreveport Home Mortgage Authority

## A Component Unit of the City of Shreveport

### Notes to Financial Statements

December 31, 2013

#### ***Investments and Investment Income***

Investments, including mortgage-backed securities and mutual funds, are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Net Position***

Net position of the Authority is classified in two components. Net position restricted for debt service consists of funds that are reserved for outstanding bond payable balances. Unrestricted net position is remaining assets that do not meet the definition of restricted for debt service.

#### ***New Pronouncements***

The Authority has implemented GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows and deferred inflows of resources. In addition, the statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the Authority reported debt issuance costs, including costs related to bond insurance, as deferred debt expense which was capitalized and amortized over the life of the debt. Deferred debt expense was reported as an asset on the statement of net position. In GASB Statement No. 65, bond issuance costs, excluding bond insurance costs, are to be recognized in the period of the debt issue. Implementation of GASB Statement No. 65 resulted in a restatement of previously reported net position by \$197,780.

Net Position, As Previously Reported	\$ 3,241,602
Change in Accounting Principle	<u>(197,780)</u>
Net Position, Beginning of Year	<u>\$ 3,043,822</u>

# Shreveport Home Mortgage Authority

## A Component Unit of the City of Shreveport

### Notes to Financial Statements

**December 31, 2013**

#### **Note 2: Note Receivable**

The note receivable is a \$3,701,667 note in the 2004 Multi-Family Refunding Issue due from an investor and maturing September 1, 2025. The note receivable bears interest at a fixed rate of 6.4%. Total principal and interest payments ranging from \$161,225 – \$170,425 are made on a semiannual basis through February 15, 2025. A final principal payment of \$2,260,000, plus interest is due on September 1, 2025. The note is collateralized by land, buildings and fixtures of the investor. The note receivable is the security for the bonds.

#### **Note 3: Deposits, Investments and Investment Income**

##### ***Deposits***

At December 31, 2013, the Authority has \$1,100,000 of certificates of deposit with less than one year of maturity.

##### ***Investments***

State statutes authorize the Authority to invest in direct obligations of the United States Treasury, United States government agency obligations and Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the state of Louisiana.

The Authority's investment balance at December 31, 2013, consisted of the following:

Type	Fair Value	Maturities in Years			
		Less than 1	1 – 5	6 – 10	More than 10*
FNMA pass-through mortgage certificates	\$ 327,921	\$ -	\$ -	\$ -	\$ 327,921
GNMA pass-through mortgage certificates	3,021,505	-	-	-	3,021,505
Money market mutual funds	798,656	798,656	-	-	-
	<u>\$ 4,148,082</u>	<u>\$ 798,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,349,426</u>

\* Although maturity of the FNMA and GNMA pass-through mortgage securities are greater than ten years, there has been an acceleration of paying in full the mortgage certificates. The Authority has been using the accelerated payments to pay down the 2003 bonds. Actual maturities may differ materially from the schedule.

# Shreveport Home Mortgage Authority

## A Component Unit of the City of Shreveport

### Notes to Financial Statements

**December 31, 2013**

- **Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority’s investment policy limits at least 65% of its investment portfolio to maturities of less than one-year (excluding mortgage certificates) and a maximum of 35% to maturities of one to more than 10 years (excluding mortgage certificates).
- **Credit Risk** – Is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. All mortgage-backed securities are guaranteed by FNMA or GNMA. The Authority’s investment policy requires all securities to be investment-grade obligations. At December 31, 2013, the Authority’s investments in money market mutual funds were rated Aaa by Moody’s Investors Service and AAAm-G by Standard & Poor’s. Investments in FNMA and GNMA pass-through mortgage certificates are not rated.
- **Custodial Credit Risk** – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority’s investments are not subject to custodial credit risk.
- **Concentration of Credit Risk** – The Authority does not limit the amount that may be invested in any one issuer.

Applicable state statutes do not address credit quality ratings, concentration of credit risk by issuer or investment maturity limitations.

### ***Summary of Carrying Values***

The carrying values of investments shown above are included in the balance sheet as follows:

Carrying value	
Investments (including certificates of deposit)	<u>\$ 5,248,082</u>
Included in the following statement of	
net position captions	
Cash and cash equivalents	\$ 798,656
Noncurrent assets	
investments (including certificates of deposit)	<u>4,449,426</u>
	<u>\$ 5,248,082</u>

# Shreveport Home Mortgage Authority

## A Component Unit of the City of Shreveport

### Notes to Financial Statements

**December 31, 2013**

#### ***Investment Income***

Investment income, including amounts earned on mortgage-backed securities and the note receivable, for the year ended December 31, 2013, consists of:

Operating revenues	
Interest on mortgage-backed securities and note receivable	\$ 321,417
Nonoperating expenses	
Investment loss	(100,229)
	<u>\$ 221,188</u>

#### **Note 4: Bonds Payable**

Bonds payable at December 31, 2013, consisted of:

<b>2004 Issue (Multi-Family – Refunding)</b> – Multi-Family Housing Revenue Refunding Bonds, 2004 dated February 1, 2004 – \$4,360,000 at an interest rate of 6.5% due February 15, 2023.	\$ 3,730,000
<b>2003 Issue (Single Family)</b> – Single Family Mortgage Revenue Bonds, 2003A (Redeemed) and 2003B dated August 1, 2003 – \$7,500,000 Revenue Refunding Bonds at interest rates of 4.57% – 5.37% due April 1, 2037 (payments have been accelerated and estimated pay-off is now 2019).	2,249,183
	<u>5,979,183</u>
Less current maturities	<u>465,427</u>
	<u>\$ 5,513,756</u>

**Shreveport Home Mortgage Authority**  
**A Component Unit of the City of Shreveport**  
**Notes to Financial Statements**  
**December 31, 2013**

The debt service requirements as of December 31, 2013, were as follows:

Years Ending December 31	Total to be Paid	Principal	Interest
2014	\$ 819,036	\$ 465,427	\$ 353,609
2015	822,861	494,198	328,663
2016	816,361	513,908	302,453
2017	819,860	544,603	275,257
2018	822,385	576,333	246,052
2019 – 2023	<u>4,255,025</u>	<u>3,384,714</u>	<u>870,311</u>
	<u>\$ 8,355,528</u>	<u>\$ 5,979,183</u>	<u>\$ 2,376,345</u>

The 2003A Issue (Single Family) was required to be redeemed in whole through the issuance of a Series 2003B Issue by February 1, 2007. During 2004, \$3.9 million of the Series 2003A Issue was redeemed through the Series 2003B Issue. During 2005, \$3.2 million was redeemed through the Series 2003B Issue. The remaining \$375,251 was redeemed in 2007.

The bonds in the 2004 Issue (Multi-Family – Refunding) are collateralized by the revenues and other amounts derived by the Authority from the note receivable and the funds and accounts established under the trust indenture. A credit enhancer is also contained in the trust indenture that guarantees that no loss will be incurred on the sale of the property should a default occur on the debt being serviced by the investor.

On February 1, 2004, the Authority issued \$4,360,000 in bonds, the 2004 Multi-Family Housing Revenue Refunding Bonds, to advance refund \$4,360,000 of the 1995 Multi-Family Issue. Bond costs of \$130,569 were paid by the Authority. At December 31, 2013, the principal outstanding on the 2004 bonds was \$3,730,000.

There are a number of limitations and restrictions contained in the various bond indentures. The Authority is in compliance with all significant limitations and restrictions.

**Note 5: Restricted Assets**

A substantial portion of the amounts reflected in the statement of net position represent assets in such accounts or funds designated under the trust indenture for each Issue to be invested and/or held for subsequent disbursement in such manner and at such time as specifically defined in the respective trust indenture.

All of the assets of the Mortgage Purchase Program Funds are restricted by, and the use thereof is governed by, the trust indentures.

**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance with  
Government Auditing Standards**

Board of Trustees  
Shreveport Home Mortgage Authority  
Shreveport, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Shreveport Home Mortgage Authority (the Authority), a component unit of the City of Shreveport, Louisiana, which comprise the statement of net position as of December 31, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2014 which contains an emphasis of matter paragraph regarding a change in accounting principle.

***Internal Control Over Financial Reporting***

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

June 30, 2014

Board of Trustees  
Shreveport Home Mortgage Authority  
Shreveport, Louisiana

As part of our audit of the financial statements of Shreveport Home Mortgage Authority (Authority) as of and for the year ended December 31, 2013, we wish to communicate the following to you.

## AUDIT SCOPE AND RESULTS

### **Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in Government Auditing Standards Issued by the Comptroller General of the United States**

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

### **Qualitative Aspects of Significant Accounting Policies and Practices**

#### **Significant Accounting Policies**

The Authority's significant accounting policies are described in *Note 1* of the audited financial statements.

Management Judgments and Accounting Estimates

No matters are reportable.

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

No matters are reportable.

**Audit Adjustments**

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

Areas in which adjustments were proposed include:

*Proposed Audit Adjustments Recorded*

- Effect on net position with the adoption of GASB Statement 65

*Proposed Audit Adjustments Not Recorded*

- None.

**Auditor's Judgments About the Quality of the Entity's Accounting Principles**

During the course of the audit, we made the following observations regarding the Authority's application of accounting principles:

No matters are reportable.

**Other Material Written Communications**

Listed below are other material written communications between management and us related to the audit:

- Management representation letter *(attached)*

This communication is intended solely for the information and use of management, the Board of Trustees and Louisiana Legislative Audit, and is not intended to be and should not be used by anyone other than these specified parties.

**BKD, LLP**

June 30, 2014

Shreveport Home Mortgage Authority  
Shreveport, LA

June 30, 2014

**BKD, LLP**  
Certified Public Accountants  
14241 Dallas Parkway, Suite 1100  
Dallas, Texas 75254

We are providing this letter in connection with your audit of our financial statements as of and for the year ended December 31, 2013. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated January 14, 2014, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our

financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

5. We have provided you with:
  - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
  - (b) Additional information that you have requested from us for the purpose of the audit.
  - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - (d) All minutes of meetings of the governing body held through the date of this letter. We affirm that no formal meetings were held during 2013 and through the date of this letter.
  - (e) All significant contracts and grants.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
  - (a) Misappropriation of assets.
  - (b) Misrepresented or misstated assets, liabilities or net position.
8. We have no knowledge of any known or suspected:
  - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
  - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Shreveport Home Mortgage Authority (the Authority) received in communications from borrowers, regulators, suppliers or others.

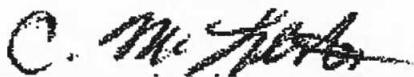
10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.
11. Except as reflected in the financial statements, there are no:
  - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
  - (b) Material transactions omitted or improperly recorded in the financial statements.
  - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - (d) Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - (e) Agreements to purchase assets previously sold.
  - (f) Restrictions on cash balances or compensating balance agreements.
  - (g) Guarantees, whether written or oral, under which the Authority is contingently liable.

12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
13. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
14. Adequate provisions and allowances have been accrued for any material losses from:
  - (a) Uncollectible receivables.
  - (b) Purchase commitments in excess of normal requirements or above prevailing market prices.
15. Except as disclosed in the financial statements, we have:
  - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
16. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
17. With regard to deposit and investment activities:
  - (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
  - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

18. With respect to any nonattest services you have provided us during the year, including drafting the financial statements:
  - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
  - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
19. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
20. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
21. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
22. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
23. We have a process to track the status of audit findings and recommendations.
24. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
25. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt

normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

26. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.



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Dr. Charles Lester, Board Chairman

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Jimmy Burnett, Legal Counsel